

REPORT ON SPECIAL INVESTIGATION OF THE
WAPELLO COUNTY, IOWA
INFORMATION TECHNOLOGY DEPARTMENT
FOR THE PERIOD
SEPTEMBER 3, 2013 THROUGH JUNE 30, 2017

TABLE OF CONTENTS

	<u>Page</u>
Anderson, Larkin & Co., P.C. Report	1
Investigation Summary:	
Background Information	2
Detailed Findings	3
Recommended Control Procedures	3-4



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"Your Success Is Our Business."

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ANDERSON, LARKIN & CO., P.C.'S REPORT

To the Members of the Wapello County Board of Supervisors:

As a result of alleged improprieties regarding certain financial transactions and at the request of the Wapello County Auditor, we conducted a special investigation of the Wapello County Information Technology Department. We have applied certain tests and procedures to selected financial transactions for the period of September 3, 2013 through June 30, 2017. Based on the relevant information and discussions with Wapello County personnel and officials, we performed the following procedures:

- 1) Reviewed information gathered by County officials to obtain an understanding of the concerns identified related to the purchases made by the Information Technology (IT) department.
- 2) Interviewed the Wapello County Auditor to obtain an understanding of the IT department head's job duties.
- 3) Interviewed the Wapello County IT director on September 11, 2018 to discuss items designated as improper or unsupported disbursements. Based upon the director's responses, items greater than \$100 were discussed with the departments who received them.
- 4) Evaluated the County's internal controls over purchases to determine if adequate policies and procedures were in place and operating effectively.
- 5) Examined invoices of all IT department purchases (from the County's general ledger) greater than \$100 from September 3, 2013 through June 30, 2017, except as follows:
 - a) Did not select any invoices paid to ICIT Treasurer (identified to us as Dues).
 - b) Did not select any invoices paid to ISAC (identified to us as Training).
 - c) Did not select any invoices paid to Iowa Department of Public Safety (identified to us as Terminal Billing).
 - d) Did not select any invoices paid to Lisco (identified to us as Internet Service).
 - e) Did not select any invoices paid to Mainstay Systems (identified to us as a Maintenance Agreement).
 - f) Did not select any invoices paid for phone bills (both landline and cell phone).
 - g) All invoices paid with a description of "late fee" were examined regardless of amount.
 - h) Certain invoices identified by the County Auditor as questionable were examined regardless of amount.
 - i) All invoices paid with a description that might not meet public purpose requirements were examined regardless of amount.

These procedures identified \$403.81 of improper disbursements and \$945.91 of unsupported disbursements. Certain internal control weaknesses were also identified. Our detailed findings and recommendations are presented in the Investigative Summary of this report.

The procedures described above do not constitute an audit of the financial statements conducted in accordance with U.S. generally accepted auditing standards. Had we performed additional procedures, or had we performed a review of the entire IT department, other matters might have come to our attention what would have been reported to you.

Copies of this report have been filed with the Wapello County Board of Supervisors, the Wapello County Attorney's Office and Iowa State Auditor's Office.

We would like to acknowledge the assistance and many courtesies extended to us by the officials and personnel of Wapello County, Iowa.

ANDERSON, LARKIN & CO., P.C.

Anderson, Larkin & Co., P.C.

December 3, 2018

REPORT ON SPECIAL INVESTIGATION OF THE WAPELLO COUNTY INFORMATION
TECHNOLOGY DEPARTMENT
INVESTIGATIVE SUMMARY

Background Information

The Wapello County Information Technology Department is responsible for purchasing and maintaining the technology infrastructure for the County. This includes purchases (as needed) and maintenance of the County's network, individual computers and related peripherals, and hardware and software purchase and installation. The IT department also establishes IT policies and procedures. The IT department is also in charge of purchases of any technology related items requested by other County departments. When purchases are made by the IT department for other departments, the purchases come out of the IT department's budget. The IT department includes one employee, the IT Director.

Mr. Culver was hired as the IT Department Director on September 3, 2013. As of the date of this report, Mr. Culver is still an employee of Wapello County.

Mr. Culver was able to charge purchases to the County and upon receipt of the items ordered, he would approve the invoice for payment and forward the invoices to the County Auditor's Office for payment through the County's accounts payable system.

The majority of the purchases made by the IT Department is IT equipment that is shipped directly to the IT Department. Purchases made by the IT Department for other departments of the County are also shipped directly to the IT Department.

Notification of Wapello County Board of Supervisors by External Auditor

During preliminary work for the June 30, 2017 audit, Anderson, Larkin & Co., P.C. personnel were approached by the Wapello County Auditor regarding some claims that had been submitted for payment by the IT Director. She questioned whether these claims were proper. At that point, she had already contacted the ICAP attorney, the Board of Supervisors and the County Attorney. After those claims had been identified, she looked back at some of the previous claims submitted by the IT Director. We contacted the State Auditor's Office on June 8, 2017.

The IT Director was interviewed by the Board of Supervisors regarding these purchases shortly after June 8, 2017. Subsequent to that meeting, we discussed the results of that meeting with one of the County Supervisors. He stated that Mr. Culver had logical explanations for all these purchases but that the Supervisors felt like the purchase of the smart watch should have been approved in advance of the purchase.

The Wapello County Auditor requested that Anderson, Larkin & Co., P.C. review her concerns. As a result, we performed procedures detailed in the Anderson, Larkin & Co., P.C. Report for the period of September 3, 2013 through June 30, 2017.

Detailed Findings

The procedures performed identified \$403.81 of improper expenditures and \$945.91 of unsupported expenditures.

As previously stated, Mr. Culver is responsible for purchasing technology items at the request of other County departments. Because no records were maintained regarding any purchases made for other departments, we were unable to determine if the purchased items were still on hand at June 30, 2017.

Improper and Unsupported Expenditures

We examined invoices of all IT Department purchases (from the County's general ledger) from September 3, 2013 through June 30, 2017 that met the criteria detailed below:

Examined invoices of all IT department purchases (From the County's general ledger) greater than \$100 except as follows:

- a) Did not select any invoices paid to ICIT Treasurer (identified to us by the County Auditor as Dues).
- b) Did not select any invoices paid to ISAC (identified to us by the County Auditor as Training).
- c) Did not select any invoices paid to Iowa Department of Public Safety (identified to us by the County Auditor as Terminal Billing).
- d) Did not select any invoices paid to Lisco (identified to us by the County Auditor as Internet Service).
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Based on our review of the available supporting documentation (noting the frequency of payments for particular items), we classified payments as reasonable, improper or unsupported. Purchases were considered improper if they were personal in nature or not reasonable for Department operations. Purchases were considered unsupported if it was not possible to determine if the purchase was related to Department operations or was personal in nature. Purchases were considered reasonable if disbursements appeared to be for Department operations. Below is a listing of items deemed improper and unsupported.

<u>Vendor</u>	<u>Date</u>	<u>Amount</u>	<u>Claim #</u>	<u>Item Purchased</u>
Improper expenditures:				
Wells Fargo	1/10/2014	\$ 39.00	7370	Late fee
Lisco	8/22/2014	10.00	10418	Late fee
Lisco	10/3/2014	10.00	7409	Late fee
Wells Fargo	12/12/2014	39.00	12067	Late fee
Wells Fargo	12/26/2014	20.18	12067	Finance charge
Lisco	3/6/2015	5.00	12068	Late fee
Lisco	4/17/2015	5.00	12087	Late fee
Lisco	5/1/2015	5.00	12100	Late fee
Lisco	6/26/2015	5.00	14291	Late fee
Lisco	6/26/2015	50.00	14305	Late fee
Newegg Business Inc.	10/16/2015	19.23	14337	Glasses case
Newegg Business Inc.	5/27/2016	149.00	14349	Smart watch
Newegg Business Inc.	5/15/2017	9.98	17909	2 water resistant flashlights
Newegg Business Inc.	6/6/2017	32.42	23067	Water hydration backpack
Lisco		5.00	23072	Late fee
		\$ <u>403.81</u>		

The items on the previous page are considered improper due to item not being reasonable for Department operations or the personal nature of item.

<u>Vendor</u>	<u>Date</u>	<u>Amount</u>	<u>Claim #</u>	<u>Item Purchased</u>
Unsupported expenditures:				
Wells Fargo	1/10/2014	\$ 9.99	7370	Car charger
Newegg Business Inc.	6/26/2015	62.99	14311	Bluetooth speakers
Newegg Business Inc.	9/18/2015	20.95	14337	Knife
Newegg Business Inc.	9/18/2015	39.95	14337	2 pocket tools
Newegg Business Inc.	11/27/2015	28.99	14365	Powerbank flashlight
Newegg Business Inc.	5/13/2016	29.99	17903	Wireless headsets
Newegg Business Inc.	5/27/2016	49.55	17909	Knife with sheath
Newegg Business Inc.	5/27/2016	15.62	17909	Blade sharpener
Newegg Business Inc.	6/24/2016	105.34	17922	2 stealth 128gb flashdrives
Newegg Business Inc.	10/28/2016	101.20	20914	4 stealth usb flash drives 64gb
Newegg Business Inc.	10/28/2016	31.01	20923	Bluetooth speakers
Newegg Business Inc.	12/23/2016	19.99	20942	Tripod
Newegg Business Inc.	1/20/2017	12.99	20949	Phone case
CDW Government Inc.	2/17/2017	34.64	20971	Phone case
Newegg Business Inc.	5/12/2017	19.23	23067	Multi-tool
Newegg Business Inc.	5/15/2017	14.49	23067	Bluetooth remote control
Newegg Business Inc.	6/9/2017	29.99	23067	Car phone mount
Newegg Business Inc.	6/23/2017	169.00	23076	Monster pa speaker
Newegg Business Inc.	6/23/2017	150.00	23076	2 mini Bluetooth speakers
		\$ <u>945.91</u>		

The above items are considered unsupported due to the inability to determine if used for operations or was personal in nature.

Recommended Control Procedures

Technology equipment - The County does not maintain an accurate listing of technology items purchased, and due to that fact, we were unable to determine if any of the above items are still in the County's possession. By its nature, computer and other technology equipment are attractive to individuals and are susceptible to loss. These items are frequently small and designed to be portable. The County should adopt policies and procedures to properly inventory these items for proper insurance coverage and to safeguard against loss.

Recommendation

In addition to capitalization policies already established by the County, inventory records should be established and maintained to facilitate proper insurance coverage and safeguarding of property and equipment susceptible to loss. The inventory listing should detail where each inventory item is located and/or which employee or department it is assigned.

Periodically an inventory should be taken to determine if all purchased items by a person independent of the record keeping function to determine that all purchases are accounted for properly.